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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Reform of the procedures for determining reimbursement to Member States for contingent-owned equipment

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the work of the 2004 Working Group on reformed procedures for determining reimbursement to Member States for contingent-owned equipment (A/59/292), and the report of the 2004 Working Group on Contingent-Owned Equipment (A/C.5/58/37 and Corr.1). During its consideration of the documents, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The Advisory Committee recalls that the General Assembly: (a) in its resolution 55/274, decided, inter alia, to convene in 2004 an open-ended group of experts for a period of no less than 10 working days to hold a triennial review of reimbursement rates for contingent-owned equipment and self-sustainment, including medical services; (b) in its resolution 57/314, requested the Secretary-General to submit a comprehensive report, on the basis of the recommendations of the Working Group, on issues that would require legislative action by the Assembly at its fifty-ninth session; and (c) in its resolution 57/321, requested the 2004 Working Group to consider the proposed methodology contained in the report of the Secretary-General on troop costs (A/57/774) and to report on the results to the Assembly through the Advisory Committee.

3. The Working Group on Contingent-Owned Equipment met from 23 February to 5 March 2004 and addressed issues grouped into four areas: major equipment; self-sustainment; troop costs; and medical support services. As indicated in both the reports of the Secretary-General and the Working Group, there was consensus on four issues: establishment of criteria for reimbursement of commercial support pattern vehicles as military pattern vehicles; standardization of reimbursement rates for certain special cases and new categories of major equipment; establishment of a threshold value of $500 for special cases major equipment; and an expected useful

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life greater than one year for special cases major equipment; and frequency of verification reports to be completed by field missions and forwarded to United Nations Headquarters on a quarterly basis.

4. There was no consensus, however, on five of the issues addressed: the triennial review of reimbursement rates of major equipment and self-sustainment; a proposed refinement of the current methodology for triennial rate review of contingent-owned equipment; creation of a mechanism to provide guidance and decision-making on contingent-owned equipment; adoption of a modular medical concept; and a proposed methodology to review the rates of reimbursement for troop costs. With regard to these issues, the report of the Working Group provides the views of the various groups (see A/C.5/58/37, annexes I-IV).

5. The Advisory Committee notes that experts from 74 Member States participated in the Working Group. The Committee also notes that prior to the 2004 triennial review, two questionnaires were sent to Members States with the purpose of collecting data for the recalculation of the rates for major equipment and self-sustainment. The Committee was informed that the Working Group conducted its review on these issues on the basis of data submitted by 32 Member States, of which 22 were troop-contributing countries. According to the report of the Working Group, it became evident during the meetings that there was a lack of understanding on how the statistical model works and how the data collected is factored into the final results (see A/C.5/58/37, para. 30). **The Secretariat should have provided clear instructions on how the data in the questionnaires should be submitted by Member States, thus ensuring, a clear understanding on how the data is factored in. This should be done in future. Appeals should also be made to Member States, in particular, to troop-contributing countries, to actively participate in statistical surveys by submitting data according to agreed procedures and statistical models. The Committee is of the opinion that in order to arrive at a more objective picture with regard to evolving trends in reimbursement rates it is important to ensure that more representative data is factored into the final results.**

6. The Advisory Committee notes the observation of the Secretary-General concerning the impasse regarding the current methodology for submission of data, with one group of Member States expressing satisfaction with the current methodology, preferring that it be maintained, and another believing that it is flawed and requires further refinement (see A/59/292, paras. 6 and 7). As indicated in the report of the Working Group, no consensus could be reached in the Group with regard to the triennial review of reimbursement rates for major equipment (A/C.5/58/37, para. 35), the review of triennial self-sustainment rates (ibid., para. 68) or on the refinement of the methodology for either (ibid., paras. 60 and 69).

7. Under the circumstances, it is the view of the Secretary-General that the General Assembly should take a decision on how the next Working Group should proceed. In this connection, the Advisory Committee notes that the next triennial review would normally take place in 2007. However, a comprehensive review may be undertaken at least every 15 years (in this case, 2010) or whenever the Assembly so advises, as envisaged in the report of the Phase V Working Group (A/C.5/54/49, para. 27). Therefore, in view of the impasse, and in order to take into account the changes and evolution in peacekeeping operations that have occurred since the contingent-owned equipment system was developed in 1995, the Secretary-General

is proposing that the next Working Group undertake a comprehensive review in 2008, in lieu of the triennial review meeting in 2007, since it would require a recalculation of all reimbursement rates from the baseline and allow time for the collection of a large amount of national cost data from Member States (A/59/292, para. 8). The Secretariat also requests that a methodology and a statistical model be established in the context of the next meeting of the Working Group. The Committee notes that the Secretary-General has proposed, in the meantime, to maintain the present rates and methodology.

8. **The Advisory Committee recommends approval of the proposal of the Secretary-General contained in subparagraphs 25 (a) and (b) of his report (A/59/292).**

9. The Advisory Committee also notes that the Secretariat wants to institutionalize a mechanism to provide guidance and decisions, keeping pace with changes in the peacekeeping environment between triennial meetings of the Working Group (see A/59/292, paras. 10 and 11). The Secretariat informed the Committee that formalizing yearly discussions with Member States on contingent-owned equipment issues, requiring their input and suggestions, would make a significant contribution to the success of the next Working Group. In addition, the Secretariat reported that by making such a mechanism an integral part of the process, including a dedicated team within the Department of Peacekeeping Operations, the process would be given more weight. **The Advisory Committee is of the opinion that this consultative process, which should be the normal modus operandi, without additional cost, should not require a special decision of the General Assembly. Moreover, the proposal is not precise with regard to the agenda to be pursued and the structure of the discussions. The Committee is nevertheless of the opinion that the Secretariat should be encouraged to take a more proactive approach in developing initiatives to assist Member States in taking a decision. If the Assembly decides to approve the Secretariat's above-mentioned proposal for a comprehensive review in 2008, regular consultations with Member States should prove useful in preparing the groundwork for the next Working Group and in facilitating the Secretariat's development of comprehensive proposals, which may have a greater degree of acceptance at the next meeting.**

10. The Advisory Committee notes that progress was achieved with regard to the amalgamation of commercial and military pattern support vehicles and that a checklist was agreed upon, defining the criteria for reimbursement of commercial pattern support vehicles as military pattern vehicles (see A/C.5/58/37, annex I.B.2). **The Advisory Committee welcomes the step taken to resolve this important issue, which should expedite the negotiations related to memoranda of understanding, reduce problems encountered during verification, speed the reimbursement process as well as release resources, which can be directed towards other tasks. The Committee recommends that the General Assembly approve the above-mentioned checklist contained in the report of the Working Group as proposed in the Secretary-General's report (see A/59/292, para. 24 (b)). The Secretariat should be encouraged to gather information in this regard, using the available database maintained by the Department of Peacekeeping Operations and lessons learned in the field, in order to provide data on how the standard is applied to the next Working Group.**

11. As indicated in the report of the Working Group (see A/C.5/58/37, paras. 39-58), a review of the special cases was undertaken and new standard categories/subcategories were created, including explosive ordnance disposal and demining equipment and riot control equipment, which were added to the list of major equipment (see ibid., annex I.C.2). **The Advisory Committee welcomes the reduction in the number of special cases, which should lead to further simplification of the contingent-owned equipment system, shortening delays related to the signing of memoranda of understanding with troop-contributing countries.** The Working Group also recommends that a threshold value be established for the special cases in which the generic fair market value of an item, or a set of items, is higher than $500 and its life expectancy is greater than one year. The threshold value is to be reviewed by the next Working Group, as well as the remaining special cases contained in the report of the Working Group (see ibid., annex I.C.3), on the basis of information collected by the Secretariat, which should be mandated to maintain a database of special cases to assist in future reviews. **The Advisory Committee recommends that the General Assembly approve the reimbursement rates for the new items of major equipment set out in annex I.C.2 of the report of the Working Group, as proposed in the report of the Secretary-General (A/59/292, para. 24 (c)), as well as the threshold value of $500 for special cases of major equipment as indicated in the same report (see ibid., para. 14).**

12. The Working Group has recommended the completion of quarterly verification reports by field missions, and the Secretariat has welcomed this recommendation. **The Advisory Committee therefore recommends approval of the proposal contained in the report of the Secretary-General (see A/59/292, para. 24 (d)). The Contingent-Owned Equipment Manual should be amended to reflect this, and troop-contributing countries should be encouraged to adhere to these procedures. The Committee also recommends approval of the proposal to distribute the updated Contingent-Owned Equipment Manual as an official document of the United Nations, as recommended by the Working Group and proposed by the Secretary-General (see A/59/292, para. 24 (e)).**

13. With regard to medical support services, the Advisory Committee notes that the Working Group centered its discussions on the modular concept of medical services and the review of medical self-sustainment rates. As indicated in the report of the Secretary-General (see A/59/292, para. 16), the Working Group recognized that the modular support concept provides flexibility and the ability to build a more efficient, effective and responsive medical facility to meet specific needs of peacekeeping missions, yet no consensus could be reached on the pricing of the modules (see A/C.5/58/37, annexes III.A and B). It is agreed, however, that the next Working Group should revisit the costing of the modules, as well as the level of medical staff to support them, and review the generic fair market value of medical equipment under the current system on the basis of adequate data, which was not available at the time of consideration of this item by the 2004 Working Group. For this purpose, the Secretariat is to collate national cost data of major medical equipment, including the cost of medical equipment in the systems contract of the Department of Peacekeeping Operations. From the report of the Secretary-General, the Committee notes that, for the purpose of collecting data for the next Working Group, the Secretariat has updated the format for major medical equipment (see A/59/292, annex II) for review by Member States.

14. **The Advisory Committee is of the opinion that the next Working Group should be mandated to review and make recommendations on the costing and medical staffing level of the modular medical concept. In addition, the updated format for major medical equipment provided in the report of the Secretary-General (A/59/292, annex II) to collect national cost data on medical equipment for review by the next Working Group should be approved by the General Assembly.**

15. As indicated in paragraph 2 above, the General Assembly, in its resolution 57/321, requested the 2004 Working Group to consider the proposed methodology on troop costs contained in the report of the Secretary-General (A/57/774). The Committee notes that discussions focused on the inclusion of basic salary and allowances, peacekeeping related training costs and post deployment medical costs, but, as indicated in the report of the Working Group, no consensus was reached on the issue of troop costs (see A/C.5/58/37, para. 77 and annex IV). The Committee notes that in view of the fact that neither the post-Phase V Working Group nor the 2004 Working Group reached a consensus on this issue, the Secretary-General's report contains a recommendation that the current reimbursement rates for troop costs be maintained and that the General Assembly determine when an adjustment is warranted (see A/59/292, paras. 20 and 25 (f)).

16. **The Advisory Committee points out that it will be for the General Assembly to decide, as a matter of policy, whether or not to accept the proposal of the Secretary-General to maintain the current reimbursement rates for troop costs until such time as the General Assembly determines that an adjustment is warranted (A/59/292, para. 25 (f)). The Committee recalls the recommendation contained in its previous report on the reform of the procedures for determining reimbursement to Member States for contingent-owned equipment (A/55/887, para. 13), and recommends that consideration be given to having recourse to a diverse group of qualified, experienced and impartial individuals, who would provide the broadest scope of background and study and make proposals on the factors and the elements on which the reimbursement of troop costs could be based.**